

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

In Re: )  
 )  
Minnesota Life Insurance ) D2000-127 *04/10/02*  
Company )  
 ) Agreement to Amend  
 ) Practices  
Formerly known as )  
 )  
The Minnesota Mutual Life )  
Insurance Company )  
 )  
 )  
 )

I. RECITAL

A. The Company

The Minnesota Life Insurance Company ( NAIC # 66168) (hereinafter, "the Company") is licensed in the State of Washington as a life and disability carrier pursuant to RCW 48.05.030, and has authority for annuity products. At the time of the Examination referenced below, the Company was known as The Minnesota Mutual Life Insurance Company. In 1998, the Company converted from a mutual insurer to a stock life insurance company, and is now owned by a mutual insurance holding company.

The Office of the Insurance Commissioner (hereinafter "OIC") conducted a target Market Conduct Examination of the Company for the periods January 1, 1992 through December 31, 1996. A final Order on the Examination was entered February 24, 2000.

B. STATEMENT OF INTENT

The Company hereby voluntarily enters into this Agreement with the OIC to promote compliance by the Company and its employees, Directors, and contractors with the requirements of the laws and regulations of the State of Washington.

## II. AGREEMENT OF THE PARTIES

### A. Purpose of and Consideration for the Agreement

The parties enter into this Agreement in lieu of any further enforcement action by the OIC pursuant to Market Conduct Examination Orders entered against the Company by the OIC on or about February 24, 2001 by Insurance Commissioner Mike Kreidler. The Company did not request a hearing to contest the Amended Findings, Conclusions and Order Adopting Report issued on February 24, 2001, and further agree to waive a hearing as to the terms of this Agreement and enforcement taken by the OIC in the event this Agreement is breached by the Company. The Company acknowledge that any breach of this Agreement subjects the Company to further action by OIC, at the OIC's discretion.

### B. Term of Agreement

The period of the compliance obligations assumed by the Company under this Plan shall be the period of time between the effective date of the Order adopting the most recent Market Conduct Examination of the Company, and the next Market Conduct Examination's adoption, but in any event, for not less than two calendar years from the Effective Date of this Agreement. The Effective Date of this Agreement shall be predicated upon both parties signing this Agreement, on which date it shall become final and binding.

### C. Agreement to Amend Practices

#### 1. Internal Audit

- a. The Company agrees to provide its internal audit unit or division(s) with the Market Conduct Examination Findings, Conclusions and Order of the OIC and to direct its internal audit personnel to include the areas of deficiency and recommendation in its internal audits.
- b. The Company's Internal Audit Department will perform the following audits between 2002 and 2005.

<u>Audit Topic:</u>	<u>Audits in Years:</u>
Replacements	2002, 2005
Agent Licensing	2002, 2003, 2004, 2005
Agent Appointments	2002, 2003, 2004, 2005
Sales & Advertising	2003, 2005

The scope of these audits will cover Washington business only.

- c. A complete copy of the results of these audits will be sent to the OIC within thirty days of the report being issued.

- d. The Company agrees to work with OIC to correct any deficiencies or other areas requiring correction which are identified in the internal audits.
- 2. Internal Controls
  - a. Company represents that it amended its practices related to replacement activity in Calendar Year 2000 and 2001. Company agrees to provide OIC with a complete copy of its new policies and procedures regarding replacement activity of policies and annuities within sixty (60) days of the Effective Date of this Agreement.
  - b. OIC reserves the right to conduct a desk audit of the Company's conduct pursuant to the new Policies and Procedures upon receipt and review of the new procedures.
- 3. Advertising Policies and Procedures
  - a. The Company agrees to establish a procedure to ensure that its home address is on all booklets or other advertising material disseminated in compliance with WAC 284-23-060(1).
  - b. The Company agrees to train each new employee responsible for creating, approving or disseminating advertising materials and to advise any contractor preparing advertising copy or other marketing material for company regarding the Washington State requirement that a company's full name and address must appear on all advertising material.
- 4. Agent Licensing and Appointment
  - a. The Company agrees to establish a procedure to ensure that all agents soliciting insurance on its behalf in the State of Washington are duly licensed and appointed pursuant to the requirements set forth in RCW 48.17 et seq.
  - b. The Company acknowledges that this is a zero tolerance item for compliance evaluation, and shall instruct its internal audit personnel to that effect. The Company agrees to educate all company personnel responsible for agent licensing and appointments and all prospective Washington State agents regarding this requirement.
- D. Miscellaneous
  - 1. Scope of Agreement: The parties agree that this Agreement will be applicable to the policies and procedures involving the marketing, advertising, agents licensing, complaints, replacements, policies and disciplinary actions of the individual division of the Company, which were the subjects of the examination.

2. Preservation of Statutory Authority: Nothing in this Agreement restricts, enlarges or otherwise modifies the jurisdiction of OIC. Neither this Agreement, nor its termination, shall affect the rights and obligations of OIC under applicable statutes or regulations or be deemed an interpretation of such statutes or regulations.
3. Authority to Enter Agreement: Each of the parties hereto gives express assurance that under applicable laws, regulations and where applicable, its Articles and By-Laws, each party has the authority to comply fully with the terms and conditions of this Agreement, and that each party will provide written notification to the other parties within ten days of any material change to this authority or of any violation of this Agreement.
4. Notification and Submission of Information and Reports Unless otherwise stated in writing subsequent to the Effective Date of this Plan, all notifications or reports required under this Plan shall be submitted to the entities listed below:

OIC: Legal Affairs Division  
Office of the Insurance Commissioner  
P.O. Box 40259  
Olympia WA 98405-0259

The Company: Minnesota Life Insurance Company  
400 Robert Street North  
St. Paul MN 55101-2098  
Attn: Mark Sievers, Audit Manager

5. Breach and Default Provision The Company is expected to fully comply in a timely manner with the obligations of this Agreement. Failure to comply with the timelines or obligations set forth herein shall result in a stipulated penalty of \$1,000.00 for each failure to comply with a provision of this Agreement. The penalty shall accrue on the day after the obligation became due, and accumulate on an aggregated basis for each day the Company fails to have in place the amended practices described in Section II.C.

Payment is due within thirty days of receipt of a demand letter from the OIC for any of the Stipulated Penalties and payable on an accrued basis for every day thereafter until such time as the Company provides written proof to OIC's satisfaction that it is in compliance with the area of default.

In the event that Company elects an Administrative Hearing to dispute OIC's determination of noncompliance, the Stipulated Penalties shall continue to accrue until the Company cures to OIC's satisfaction the

alleged breach in dispute; however, the payment of such accrued Stipulated Penalties shall remain pending until the Administrative Law Judge's determination.

6. Binding Nature of Agreement This Agreement is binding on the successors, assigns and transferees of the Company and each of them, except that the obligations do not apply to business units or lines of business that Company or a Company successor does not own or operate as a result of an asset sale to an unrelated third party.

Entered into this 18 day of December, 2001:

The Minnesota Life Insurance Company

By: *Arayne C. Fadell*

Its: *Vice Pres*

The Office of the Insurance Commissioner  
State of Washington

By: *Mark Jones*

Its: *Asst Deputy Comm*